Best's Credit Rating Effective Date
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Information

Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Allianz SE

AMB #: 085014 | **AIIN #:** AA-1340026
Associated Ultimate Parent: AMB # 085449 - Allianz SE

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	**aa**
Superior	**Superior**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Strong**
Business Profile	**Very Favorable**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Allianz SE | AMB #: 085014

AMB #	Rating Unit Members	AMB #	Rating Unit Members
002268	AGCS Marine Insurance Company	085309	Allianz S.p.A.
093686	AWP Health & Life S.A.	085449	Allianz SE
078025	AWP P&C S.A.	002618	Allianz Underwriters Ins Co
093335	Allianz Global Corp & Spec BR	002176	American Automobile Ins Co
087997	Allianz Global Corp & Spec SE	002266	Chicago Insurance Company
000407	Allianz Global Risks US Ins Co	002097	Euler Hermes NA Insurance Co.
006830	Allianz Life Ins Co of NA	001892	Fireman's Fund Indemnity Corp
009417	Allianz Life Ins of New York	002179	Fireman's Fund Insurance Co
086517	Allianz México SA Cia de Seg	002267	Interstate Fire & Casualty Co
073713	Allianz Risk Transfer (BM) Ltd	004001	Jefferson Insurance Company
077703	Allianz Risk Transfer AG	002182	National Surety Corporation

Rating Rationale

Balance Sheet Strength: Strongest

- The consolidated level of risk-adjusted capitalisation of Allianz SE (Allianz) is expected to remain at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR).
- The group's regulatory solvency coverage ratio stood at 206% at year-end 2023.
- Allianz benefits from a sophisticated and conservative capital management approach.
- Strong liquidity and sound asset/liability management, enhanced by the capabilities of the group's asset management division.
- Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in capital markets.
- Prudent reserving practices and a sophisticated reinsurance programme for tail-risk reduction.

Operating Performance: Strong

- Track record of strong and stable operating performance.
- Highly diversified earnings profile by line of business and geography underpinning relatively stable and robust income. Results are enhanced by solid risk-free asset management fee and investment income.
- The property/casualty segment achieved a strong low mid-nineties combined ratio at year-end 2023. The robust result was supported by positive price and volume effects as well as a run-off ratio in line with long-term average levels.
- The life/health segment benefited from a strong increase in operating profit in 2023 as well as a strong new business margin.
- The operating profit of Allianz's asset management segment remained robust, as net inflows recovered in 2023 and the cost investment ratio remained stable.

Business Profile: Very Favorable

- Allianz is one of the largest insurance groups in the world, and it has excellent diversification by product and geography, with a mix of property/casualty, life/health and asset management businesses.
- Through its subsidiaries, Allianz group has a leading position in European personal lines and leading global positions in credit insurance, assistance, corporate insurance and asset management.
- Despite a competitive environment, the group maintains leading positions in its core markets, aided by its vast scale, strong brand, technical excellence and diversified distribution.
- Allianz is expected to remain one of the leading groups in the global insurance market, supported by its forward-looking business strategy and its drive to enhance the insurance value chain through innovation and digitalisation.

Enterprise Risk Management: Appropriate

- Developed enterprise risk management (ERM) framework that is largely embedded throughout the organisation.
- Risk strategy and clearly articulated risk appetite form an integral part of business strategy formulation and planning, supported by forward-looking risk identification and stress testing.
- Allianz is considered to have a relatively high risk profile and an elevated organisational complexity, which are matched by its strong risk management tools and capabilities.

Outlook

- The stable outlooks are underpinned by the expectation that risk-adjusted capitalisation will remain at the strongest level as measured by BCAR, supported by conservative capital management and excellent financial flexibility. The group is expected to remain one of the leaders in the global insurance market and continue to demonstrate stable and strong operating performance, supported by superior diversification by line of business and geography as well as continued technical discipline.

Rating Drivers

- Negative rating pressure could follow a weakening in risk-adjusted capitalisation.

- A sustained deterioration of operating performance could result in negative rating actions.
- Positive rating actions are unlikely in the near term. Over a longer term, positive rating actions could arise if Allianz outperforms its peers in terms of operating results for an extended period of time and demonstrates strengthening of its key rating fundamentals to a standard commensurate with a higher rating level.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	63.2	50.3	45.1	43.8

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Net Premiums Written:					
Life	25,548,000	25,017,000	24,625,000	25,218,000	23,730,000
Non-Life	60,564,000	53,479,000	51,609,000	52,154,000	48,953,000
Composite	86,112,000	78,496,000	76,234,000	77,372,000	72,683,000
Net Income	7,182,000	7,105,000	7,133,000	8,302,000	7,703,000
Total Assets	1,021,503,000	1,139,429,000	1,060,012,000	1,011,185,000	897,567,000
Total Capital and Surplus	55,242,000	84,222,000	84,595,000	77,364,000	63,680,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	5,347,000	4,794,000	4,388,000	4,755,000	4,219,000	...
Balance on Non-Life Technical Account	3,086,000	2,835,000	1,617,000	1,902,000	2,770,000	...
Net Income Return on Revenue (%)	7.0	6.6	6.9	8.1	8.2	7.3
Net Income Return on Capital and Surplus (%)	10.3	8.4	8.8	11.8	11.6	10.1
Non-Life Combined Ratio (%)	94.3	93.9	96.3	95.5	94.0	94.8
Net Investment Yield (%)	1.0	1.9	2.1	2.2	2.1	1.9
Leverage:						
Net Premiums Written to Capital and Surplus (%)	167.3	98.2	94.3	104.6	118.7	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The balance sheet strength of Allianz is underpinned by risk-adjusted capitalisation at the strongest level, as measured by BCAR. The group's high exposure to market risk (interest rate, equity and credit spread risk amongst others) is addressed by conservative capital management and sound asset-liability management practices, enhanced by the capability of its asset managers. Additionally, the group’s balance sheet benefits from good liquidity management and prudent reserving practices. Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in the capital markets. Balance sheet strength is also supported by sophisticated reinsurance for tail risk reduction. An offsetting factor is some constraints on capital fungibility; a typical regulatory impediment for life insurers, which is mitigated by the group's strategy of maintaining excess liquidity at the holding company.

Balance Sheet Strength (Continued...)

Capitalisation

The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on Allianz's year-end 2022 consolidated audited financial statements.

In 2023, Allianz reported capital and surplus increased by 7.5% to EUR 58.5 billion due to strong net profits. Allianz's risk-adjusted capitalisation (RAC) is expected to remain at the strongest level, as measured by BCAR, supported by strong earnings generation and prudent capital management.

As a result of Allianz's considerable life operations in Europe and the United States, it manages a large balance sheet and is exposed to considerable market risk, which subjects RAC to potential volatility. However, the group's conservative capital management approach, which incorporates significant capital buffers, as well as its prudent risk management practices, reduce the likelihood of RAC falling below the strongest level.

Partial credit is given in adjusted capital and surplus in BCAR for discretionary profit-sharing reserves and subordinated debt issues.

The group has aimed to achieve higher capital efficiency and to transform it capital productivity and resilience by repositioning its life product portfolio towards a capital-light model. This has mainly been achieved by strong duration management and proactive new business management (improving the life book business mix). The capital light model of new business focuses on allocating capital towards the protection and health business as well as unit-linked business growth. Additionally, Allianz has improved its capital efficiency through in-force management of back book transactions. Consequently, Allianz's exposure to interest rate risk has reduced materially. Allianz assumes that capital requirements for new life business is self-financing going forward supported by those beforementioned changes.

Allianz has announced a new dividend policy in 2023 which is reflected by an increase of its payout ratio to 60% (50% prior). The dividend policy remains linked to its Solvency II capitalization. Allianz has committed to flexible payment of excess income above that required for external growth. In line with its dividend policy and due to the external growth budget being largely unused, the company implemented several share buybacks between 2019 and 2023. The board has approved a share buy-back amount of EUR 1 billion for 2024.

Allianz has a track record of very robust internal capital generation during recent years, enabling it to achieve steady growth in dividends (per share), as well as financing organic and inorganic growth.

Financial flexibility is considered excellent due to Allianz's track record of successfully accessing capital markets, together with its moderate debt leverage and good interest coverage ratios. At year-end 2023, Allianz held EUR 8.5 billion of senior debt and EUR 17.3 billion of subordinated debt on its balance sheet, which includes restricted Tier1 issues.

The group manages financial leverage with consideration of rating agency constraints and with the indication that the adjusted debt leverage ratio would only go above 30% if the group needs it for strategic growth opportunities. In 2023, the group reported a moderate decline in its leverage ratio to 23% (as calculated by the company), driven by an increase in the group's shareholder equity. AM Best calculates an adjusted debt leverage of 19.8% (adjusted debt to total capital with no CSM credit).

Allianz retains the vast majority of its underwriting risks. The group's outwards reinsurance largely relates to fronting business and to coverage for reduction of peak risks. Outwards reinsurance purchasing is relatively sophisticated and is centralised through Allianz Re, a business unit within Allianz SE.

Sophisticated capital management is a positive factor for the balance sheet strength assessment. Capital management guidelines relating to its Solvency Capital Requirement (SCR) coverage ratio under Solvency II (SII) are published, with the group defining its target range of 182% or higher. According to its guidelines, a fall in the SCR ratio below 150% would trigger an adjustment to group's dividend policy, and a fall below 145% would lead to capital actions. As at year-end 2023, Allianz's SII ratio stood at 206% (year-end 2022: 201%). The slight improvements reflect strong organic capital generation, offsetting higher dividend accruals for new payout policy. Going forward, it is expected that robust capital generation as well as lower capital requirements for new life business will support similar levels of SII ratio even after higher capital returns to shareholders. The group regards financial risk as its largest risk and aims therefore to actively manage its Solvency II SCR ratio volatility. Allianz has undertaken various de-risking measures in over the past years to strengthen its capital resiliency.

As a part of the group's capital management strategy, additional capital is maintained at the group level in liquid funds. These funds fluctuate between EUR 4-5 billion and are available to support subsidiaries when their individual RAC is under pressure.

Balance Sheet Strength (Continued...)

Capital Generation Analysis	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Beginning Capital and Surplus	84,222,000	84,594,000	77,364,000	63,679,000	68,602,000
Net Income	7,182,000	7,105,000	7,133,000	8,302,000	7,703,000
Net Unrealized Capital Gains (Losses)	-32,622,000	-5,785,000	4,815,000	11,311,000	-5,518,000
Currency Exchange Gains (Losses)	878,000	1,156,000	-2,259,000	441,000	146,000
Change in Equalisation and Other Reserves	-157,000	2,412,000	2,284,000	29,000	32,000
Stockholder Dividends	-4,860,000	-4,270,000	-4,146,000	-4,062,000	-3,673,000
Other Changes in Capital and Surplus	599,000	-990,000	-597,000	-2,336,000	-3,613,000
Net Change in Capital and Surplus	-28,980,000	-372,000	7,230,000	13,685,000	-4,923,000
Ending Capital and Surplus	55,242,000	84,222,000	84,594,000	77,364,000	63,679,000
Net Change in Capital and Surplus (%)	-34.4	-0.4	9.3	21.5	-7.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	69.1	76.9	80.3	80.3	78.6
Total Investments to Total Liabilities	86.0	92.2	96.2	95.3	94.2

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Allianz is considered to have very strong ALM capabilities. The group’s fixed income investment strategy is driven by the liability structure, using cash-flow matching, and is based on risk capital allocation.

Interest rate risk has been a prominent risk due to the group’s exposure to a back-book that was dominated by guaranteed products. However, the positive interest rate developments over the past two years have significantly reduced the risk. The group’s interest rate strategy remains nevertheless unchanged to ensure long-term resilience.

In line with the geographical split of its insurance business, the majority of Allianz's fixed-income portfolio is invested in European bonds and loans, the vast majority (95% at year-end 2023) of which are investment-grade. Allianz has significant exposure within its portfolio to alternative assets with alternative equity (including real estate) totaling 14% and alternative debt totaling 18% of the allocation at year-end 2023. The private debt allocation mostly included mortgages, infrastructure debt and private placements. Allianz is expected to retain the current level to alternative investments.

In AM Best's view, Allianz has ample resources to meet its liquidity needs. The majority of its investment portfolio consists of highly rated fixed income securities, which are easily marketable. Cash flow requirements are constantly monitored on a group-wide basis, and the group's subsidiaries benefit from access to a group-wide cash pooling facility. Allianz's excellent and active asset-liability management minimises its liquidity risks.

Composition of Cash and Invested Assets	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Total Cash and Invested Assets	830,669,000	973,014,000	937,912,000	889,628,000	785,426,000
Cash (%)	2.0	1.8	1.7	1.7	1.5
Bonds (%)	53.3	56.9	60.7	60.1	60.4
Equity Securities (%)	8.0	8.5	6.5	7.6	6.8
Real Estate, Mortgages and Loans (%)	16.5	13.8	13.3	13.5	14.7
Other Invested Assets (%)	18.0	17.4	16.3	15.6	15.0
Total Cash and Unaffiliated Invested Assets (%)	97.9	98.4	98.4	98.5	98.5
Investments in Affiliates (%)	2.1	1.6	1.6	1.5	1.5
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Reserve Adequacy

Allianz prudently sets its reserves in line with best market practices. Over the last ten years, P/C reserves for the group's accident years have developed positively, demonstrated by run-off ratio of 3.2% in 2023 that was in line with the average run-off ratio over the past 10 years (2014-2023).

It is expected that Allianz will be able to report reserve releases around its long-term average ratio over the cycle. The group has been able to enforce robust rate increases (7.1% rate change on renewals) to address claims inflation pressures, increasing loss pick and generally benefiting from its dominant market position and diversified book of business.

Operating Performance

Allianz has a record of strong and stable overall results over an extended period of time, supported by highly diversified operations. Allianz’s earnings have a good split across three main activities: property/casualty, life and asset management, and further across 83 operating entities. This diversification of earnings has contributed to the group’s stable profitability. Strong profitability is reflected by a relatively stable and robust average return on equity (RoE) in the past. In 2023, the group recorded a RoE of 16% in 2023 as recorded by the group (12.7% in 2022).

The group’s good diversification of earnings and consistent strong operating results remain the main contributor to the group’s stable profitability. A record operating profit was reported in 2023, despite a difficult global operating environment.

Earning levels have consistently remained strong and compare well to its peers, supported by robust earnings in its property and casualty segment as well as its life and health segment. Allianz's asset management operations provide solid cash flows and operating profits that are not directly correlated with the results of its insurance businesses. AM Best expects Allianz to continue to report strong operating performance going forward. Over the longer-term, diversified and uncorrelated revenue streams are expected to support the maintenance of strong and relatively stable earnings.

In 2023, Allianz’s net profit was up by 31.7% EUR to 9.03 billion. Operating profit increased 6.7% to EUR 14.7 billion in 2023 (2022: EUR 13.8 billion), driven by good growth levels and high return on equity across all segments, particularly a strong life/health gain. The property/casualty segment reported robust performance levels similar to the prior year, supported by positive price and volume effects. The group’s asset management performance remained robust on similar levels to the prior year.

- - Property / Casualty - -

Operating profit for the segment increased by 1.2 percent to EUR 6.9 billion in 2023 (EUR 6.8 billion in 2022). The underwriting result remained robust but was partially offset by lower insurance service and other operating results. Higher Nat-Cat losses and pressure from claims inflation led to a minor increase in combined ratio compared to the prior year. However, operating profit was supported by good investment results.

The group reported a combined ratio (CR) of 93.8% (discounted) in 2023 compared to 93.3% in the prior year (as reported by the company). The marginal weakening was primarily due to the impact of higher Nat-Cat losses (Q3 and Q4 2023) as well claims inflation pressure. This was partially offset by favourable run-off result (slightly lower compared to the prior year) as well as a favourable impact from discounting.

All core markets showed relative stable results, supported by robust rate increases in almost all segments that partly absorbed pressure from claims inflation. The commercial lines segment (about 40% of P/C total business volume) showed a stronger underwriting performance (CR: 90.5% in 2023; 90.1% in 2022) compared to the retail segment (CR:95.8% in 2023; 95.0% in 2022).

- - Life / Health - -

Operating profit in the life & health segment increased by 6.7% to EUR 5.2 billion in 2023 (EUR 4.2 billion in 2022), mainly driven by an overall good development of business across operating entities, including a strong recovery of the US life business. Germany’s life & health operations reported a modest decline in operating profit (US and Germany are the group's largest life markets).

The life & health segment benefits from strong cash flows and a strong new business margin. New business is self-funding due to a strong shift in products (capital light) in recent years. This enables the group to grow quicker in the segment going forward.

Operating Performance (Continued...)

Present value of new business premiums (PVNBP) improved by 1.6% to EUR 67.2 billion with the US segment being the main driver for the growth. Generally, the group reported an improved sales momentum but negative discounting impact from higher interest rates had a negative impact on PVNBP.

The value of new business (VNB) improved by 2.2% to EUR 3.98 billion in 2023, driven by volume with robust new business margin (NBM). The share of capital-efficient products in VNB stood at 45%, 29% for protection & health and 19% for unit linked without guarantees.

The new business margin (NBM) remained stable at 5.9% in 2023 (5.9% in 2022) above the group's target level of 5% due to a better business mix and higher interest rates.

The group reported a strong normalized CSM growth rate of 4.9%. Allianz released EUR 5.0 billion of CSM (release rate of 8.6%) in line with expectations. The CSM release was more than replaced by a healthy level of new business (EUR 4.5 billion) and expected in-force return (EUR 3.0 billion), resulting in a normalized CSM growth of EUR 2.6 billion. The CSM

growth (4.9%) was at the higher end of the group's internal expectation (4%-5%).

- - Asset Management - -

The 2023 operating profit for Allianz's Asset Management (AM) division declined slightly (2.2%) to EUR 3.13 billion, mainly driven by a similar decline in net fee and commission income due to f/x impact. The level of performance

fees (part of the net fee and commission income) increased to a record level. Net inflows recovered in 2023 and continued growth is expected in 2024. The cost investment ratio remained stable at 61.3% in 2023 compared to 61.2% in the prior year.

- - Investment Results - -

In recent years, Allianz has lowered the risk of its fixed income portfolio by actively managing its sovereign bond investments and reducing its investment exposure to the banking sector. At the same time, the group has increased its exposure to real assets (real estate, infrastructure and renewable energy). However, it is expected that those levels will remain relatively stable going forward.

Allianz's investment strategy is coordinated by Allianz Investment Management (AIM), which seeks to enhance the group's ability to invest proactively on a global scale. AIM aims to contribute to capital efficiencies by achieving optimum risk-adjusted returns. AIM sets guidelines for the whole group regarding maximum exposure. Of the group's invested assets, approximately 20% are expected to be placed into alternative assets, including real estate, over the medium term. While these assets are generally riskier and are likely to attract higher capital changes than traditional fixed income investments, they allow the group to match their liabilities with assets that generate relatively high returns.

Allianz's operating investment results (excluding capital gains) improved to by 27% to EUR 4.76 billion in 2023, driven mainly by the higher interest rate environment. Going forward, continued economic reinvestment yields at current levels are expected to return robust investment income.

Financial Performance Summary	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Pre-Tax Income	9,649,000	9,520,000	9,604,000	11,078,000	10,399,000
Net Income after Non-Controlling Interests	6,738,000	6,610,000	6,807,000	7,915,000	7,462,000

Source: BestLink® - Best's Financial Suite

Operating Performance (Continued...)

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	0.8	0.7	0.8	1.0	1.0
Return on Capital and Surplus	10.3	8.4	8.8	11.8	11.6
Non-Life Performance:					
Loss and LAE Ratio	67.5	67.0	69.5	68.0	66.0
Expense Ratio	26.8	26.9	26.8	27.5	28.0
Non-Life Combined Ratio	94.3	93.9	96.3	95.5	94.0

Source: BestLink® - Best's Financial Suite

Business Profile

Allianz maintains a very favourable business profile as a leading global financial services provider, offering life and non-life insurance products, as well as asset management services. It is one of the largest insurance groups in the world, with insurance revenues of EUR 91.3 billion and total business volume of EUR 161.7 billion against shareholders' equity of EUR 58.5 billion in 2023. Note that total business volume is measured as gross premiums written and fee and commission income in Property-Casualty, statutory gross premiums in Life/Health, and operating revenues in Asset Management. Despite strong competition and a challenging macroeconomic environment in recent years, the group has comfortably retained its leadership, scale and relevance.

The group's vast scale and substantial global resources stand it apart from all but a small number of global competitors. Revenue and earnings are highly diversified by geography, by operating unit and by line of business. Although developed western insurance markets account for a significant proportion of Allianz's revenue, no single market is critical to its success. Excellent diversification enables the group to withstand challenges as they occur and reduces the likelihood that a disturbance in any particular market will impact its overall financial performance. In 2023, the group's largest markets by business volume were Western and Southern Europe (25%), Germany (24%), Specialty lines (including AGCS, Allianz Trade, and Allianz Partners and Allianz Re) (18%) and USA (14%). No other single country accounted for more than 5%. Within the majority of developed insurance markets, the group offers a wide range of products, with business often split between life and non-life insurance operations. The United States (US) is a notable exception of this, where the group has a robust position in the life savings sector but is virtually absent from P/C personal lines market. In addition to its insurance operations, Allianz benefits from a strong global asset management platform, which accounted for 5% of its total revenue and 21% of its operating profit in 2023.

One competitive advantage of Allianz lies in its ability to adjust to local markets through high quality local management and internal knowledge sharing. Furthermore, the group has centralised major business functions over the years that allows the group to concentrate its expertise and improve efficiencies and agility. This has allowed the group to boost growth through the establishment of scalable platforms. In addition, the group benefits from symbiotic relationship of its Life/Health and Asset Management business.

Furthermore, the group aims to enhance its diversified business model by focusing on digitalisation efforts and simplifying its business model, in order to achieve cost and process efficiencies, improving customer satisfaction and to support growth. This includes also its digital distribution models as well as its direct insurance brands Allianz Direct that was established in most of its European markets. Allianz has also accelerated its transformation strategy of ‘simplicity’, which includes process, platform and product simplification. The ambition is that a harmonisation and simplification of business processes would mitigate its risk profile.

Allianz maintains a leading competitive position in numerous insurance markets around the world and benefits from strong global brand recognition. This is often an advantage for the group's new ventures. The Allianz brand is used for the majority of the group's business, with exception of PIMCO (a leading asset manager).

AM Best views Allianz’s management quality positively. The competence of management has been demonstrated through a track record of consistent and strong performance, in line with set targets. The group's CEO has been Oliver Bäte since 2014, an existing member of the senior management team who has been with the group since 2009.

The group has supported its growth in the past through moderately sized acquisitions. In 2023, Allianz entered into two major M&A transactions that scaled up its existing business and strengthened its market present in those operating markets:

-- Allianz completed the formation of the partnership with Sanlam Ltd., a non-banking financial service company in Africa, by contributing its African business operations and further assets in consideration for a 41 % shareholding in the partnership. This increased its current market present in Africa notably.

Business Profile (Continued...)

-- Allianz completed the acquisition of 50% of the shares of Incontra Assicurazioni S.p.A., Milan, a non-life insurance business to strengthen the bancassurance partnership with UniCredit.

-- Allianz also completed the acquisition of 100% of the shares of Innovation Group Holdings Ltd., Whiteley, a leading global provider of claims and technology solutions to the insurance and automotive sectors.

Allianz reports three main business segments: Property/Casualty (P/C), Life/Health (L/H) and Asset Management. In 2023, the group's total business volume was split between these segments as follows: P/C 47%, L/H 48%, and Asset Management 5%.

- - Property/Casualty - -

Allianz's P/C division reported insurance revenue of EUR 68.75 billion in 2023, an increase of 7.5% from the prior year. Growth driven by healthy pricing and good volumes, which were in particular recorded at Allianz Partners, Allianz Trade, AGCS, Central & Eastern Europe and Australia. The group recorded good internal revenue growth mainly driven by price increases as well as in all segments by organic volume growth. The growth at Allianz Partners was derived from strong positive volume effects in travel, international business and assistance business. Allianz Trade benefited from strong new business generation and high customer retention. AGCS recorded good internal growth in its Property, Energy & Construction and MidCorp.

Allianz has developed a strong competitive position in many primary P/C insurance markets across Europe, Asia and numerous emerging markets. The combination of excellent diversification and strong competitive positioning allows Allianz to better absorb the impact of insurance cycles in individual insurance markets. Allianz operates as a domestic insurer in all of its major markets, with experienced local management teams.

Allianz's global P/C insurance business is predominantly managed via subsidiaries AGCS, Allianz Partners and Allianz Trade. AGCS is responsible for the group's corporate business and all global insurance lines (such as aviation, energy and marine risks). Although nearly half of AGCS's premium revenue emanates from North America, it has a well-diversified book of business. The business unit has a strong competitive position globally. Strong rate improvements seen globally continued to support the markets hard cycle.

Allianz Partners consolidates the group's global assistance (for example motor and travel assistance products) and international medical insurance business. Historically, this business has experienced strong profitable growth and Allianz Partners is considered important to the group's strategic vision, due in part to its role in providing complimentary services to Allianz customers to improve overall customer satisfaction. Allianz Trade offers trade credit insurance on a global basis and is a market leader in its niche.

Growth of Allianz's P/C business is expected to be driven by development of the group's competitive position in mature markets and by expansion in growth markets. Considering the wide scope of Allianz's P/C operations, challenges in individual markets are unlikely to negatively impact the prospects of the overall group.

- - Life / Health - -

Allianz's L/H division reported an increase in present value of new business (PVNBP) of 1.6% to EUR 67,281 billion in 2023. This was supported by a good sales momentum, specifically stemming largely from the US business segment which offset higher discounting from higher interest rates.

The group's life operations have a good level of geographical diversification in spite of some concentration in Europe (around 75% insurance revenue). Germany is the group's most significant L/H market, accounting for 42% of total life division insurance revenue. In Germany, the group has an excellent competitive position and benefits from diversification between life (24%) and health insurance (18%). Allianz's other major life insurance markets include France (18%), United States (10%), Asia-Pacific (10%) Italy (5%). The group maintains a strong competitive position in each of these markets.

Allianz has focused on reducing its exposure to capital-intensive life insurance products across its portfolio for several years. In 2023, 46% and 25% of PVNBP was attributable to capital-light products and unit-linked (without guarantee) products respectively. The share of PVNBP for guaranteed savings and & annuities is about 8%. AM Best notes that the substantial increase of interest rates over the past two years has significantly reduced past pressure to meet guaranteed crediting rates related to the guaranteed savings products in the back book. The group also focused on releasing underperforming capital locked in life back-books by disposing of selected legacy life back-books in order to reallocate capital to business with higher margins.

- - Asset Management - -

Business Profile (Continued...)

Allianz is one of the largest fund managers in the world, with assets under management (AuM) of EUR 2.22 trillion as at year-end 2023. Of the total AuM, about one quarter related to assets of the Allianz group, with the remainder being third party assets.

Allianz operates on a global basis with investment and distribution capacities in all major markets. Pacific Investment Management Company LLC (PIMCO) is the group's largest fund manager, accounting for about 61% of its third-party AuM. The total level of AuM improved in 2023 benefiting from strong market developments as well as positive 3rd party AUM business net inflows in all regions.

In 2023, overall revenues for assets under management declined by 1.8% to EUR 8.09 billion, driven by lower AuM revenues, despite benefiting from a significant increase in performance related fees. The majority of revenues (EUR 7.27 billion) relate to net fees and commission income rather than performance fees, and are therefore generally more stable over time.

Enterprise Risk Management

Allianz has a developed enterprise risk management (ERM) framework that benefits from risk management practices that are appropriate given the group's relatively high-risk profile. The group’s risk management tools and capabilities are considered very strong. All of the group's operating entities have self-sufficient and appropriate ERM functions, which is underpinned by an additional layer of oversight from the group.

The group has well-defined quantitative and qualitative risk appetite statements, covering its solvency and material risk exposures. The risk appetite forms an integral part of the business planning process, which is usually done for three years, translated into financial and non-financial targets, Solvency II ratios and risk limits.

At the core of Allianz’s ERM is the internal capital model, which is fully integrated in the group’s business strategy and used for key decisions, such as dividend policy, risk and business strategy and asset allocation. The group has a well-defined capital management policy, with associated management actions. A comprehensive stress testing framework substantiates the business strategy, supporting a forward-looking risk assessment approach.

Reinsurance Summary

Allianz has a relatively low reinsurance dependence. The group’s prudent reinsurance programme is aimed at controlling its exposure to large and catastrophe losses in order to protect the group’s capital resources. Allianz Re, a business unit within Allianz SE, coordinates the reinsurance needs of all subsidiaries across the group and acts as a reinsurer for most subsidiaries. For all P/C treaties (excluding those for natural catastrophe events), operating entities retain premiums in accordance with group guidelines. Ceded business is centralised at the group level and allocated to external reinsurance treaties. The group also maintains a centralised programme for natural catastrophe losses that pools exposures from a number of subsidiaries via internal reinsurance agreements. Allianz uses the external reinsurance market for peak risks in excess of the group's risk appetite. In addition to traditional reinsurance, alternative risk transfer vehicles are used.

Environmental, Social & Governance

AM Best believes that Allianz, as a diversified global multiline insurer, has a well-considered and diligent process for managing its environmental, social and governance (ESG) related exposures with respect to its global operational and credit profile.

AM Best considers Allianz’s exposure to environmental, social, and corporate governance (ESG) risks to be elevated but manageable. As a diversified global multi-line P/C and L/H insurer as well as asset manager, ESG is a meaningful consideration with respect to the global lines and commercial segments’ operational and credit profile.

AM Best believes that the group carefully monitors its product segments and international markets in which it participates - both as an underwriter and investor - in order to actively manage its enterprise-wide exposure to a diverse array of ESG related exposures. Furthermore, management has continuously modified its underwriting and investment risk-appetite and guidelines to control its risk aggregations in recent years.

The group has formulated an ESG framework and developed statements and policies to identify and manage ESG risk in underwriting. The group has started to align its investment operations with ESG practices and evolving disclosure requirements.

Enterprise Risk Management (Continued...)

As a property insurer, Allianz’s underwriting operations are sensitive to environmentally global climate risk trends over time, most notably to natural weather-related catastrophes, with natural catastrophe events representing some of the largest loss events in recent years. In response to the emerging risks associated with climate risks, the group takes advantage of sophisticated risk modeling tools in order to identify and measure its exposure to ongoing increases in natural catastrophe event's frequency and severity. The group manages those risks by incorporating and articulating these results into its risk appetite. Comprehensive reinsurance cover is in place to reduce losses in line with its risk appetite.

Allianz has also integrated ESG-related criteria into its investment policy, which includes negative screening and reflects various sustainable and ethical investment criteria. The group aims to set industry standards and drive market innovation in order to remain on top of constantly developing climate-related policies as well as to meet public expectations of social responsibility. The group’s strong integration of ESG-related criteria in its investment policy reduces the potential impact of adverse asset valuations that could result from ESG related triggers.

Allianz is also exposed to socially sensitive litigation trends and reputational risks relating to its liability business. Additionally, the group’s product offerings include a large range of life insurance products, including annuities and savings products, which are exposed to factors such as demographic developments. The group aims to address those risks by having prudent reserving policies in place as well as comprehensive reinsurance protection.

Financial Statements

Balance Sheet	12/31/2022 EUR (000)	%	12/31/2022 USD (000)
Cash and Short Term Investments	16,843,000	1.6	17,983,608
Bonds	442,832,000	43.4	472,820,583
Equity Securities	66,843,000	6.5	71,369,608
Other Invested Assets	304,151,000	29.8	324,748,106
Total Cash and Invested Assets	830,669,000	81.3	886,921,905
Reinsurers' Share of Reserves	59,509,000	5.8	63,538,949
Debtors / Amounts Receivable	24,235,000	2.4	25,876,194
Other Assets	107,090,000	10.5	114,342,135
Total Assets	1,021,503,000	100.0	1,090,679,183
Unearned Premiums	23,006,000	2.3	24,563,966
Non-Life - Outstanding Claims	76,989,000	7.5	82,202,695
Life - Outstanding Claims	14,278,000	1.4	15,244,906
Life - Long Term Business	576,460,000	56.4	615,497,871
Life - Linked Liabilities	141,024,000	13.8	150,574,145
Other Technical Reserves	732,000	0.1	781,571
Total Gross Technical Reserves	832,489,000	81.5	888,865,155
Debt / Borrowings	112,000	...	119,585
Other Liabilities	133,660,000	13.1	142,711,455
Total Liabilities	966,261,000	94.6	1,031,696,195
Capital Stock	1,170,000	0.1	1,249,232
Retained Earnings	35,350,000	3.5	37,743,902
Other Capital and Surplus	14,954,000	1.5	15,966,685
Non-Controlling Interests	3,768,000	0.4	4,023,169
Total Capital and Surplus	55,242,000	5.4	58,982,988
Total Liabilities and Surplus	1,021,503,000	100.0	1,090,679,183

Source: BestLink® - Best's Financial Suite

Income Statement	Non-Life EUR (000)	Life EUR (000)	Other EUR (000)	12/31/2022 Total EUR (000)	12/31/2022 Total USD (000)
Gross Premiums Written	67,716,000	26,568,000	...	94,190,000	100,568,547
Net Premiums Earned	58,878,000	25,033,000	...	83,912,000	89,594,521
Net Investment Income	...	5,788,000	2,679,000	9,134,000	9,752,554
Realized capital gains/(losses)	...	5,698,000	-623,000	5,084,000	5,428,288
Other Income	2,302,000	1,960,000	...	4,262,000	4,550,623
Total Revenue	61,180,000	38,479,000	2,056,000	102,392,000	109,325,986
Benefits And Claims	39,731,000	25,825,000	344,000	65,900,000	70,362,748
Net Operating And Other Expenses	18,363,000	7,307,000	1,173,000	26,843,000	28,660,808
Total Benefits, Claims And Expenses	58,094,000	33,132,000	1,517,000	92,743,000	99,023,556
Pre-Tax Income	3,086,000	5,347,000	1,216,000	9,649,000	10,302,430
Income Taxes Incurred	...	...	...	2,467,000	2,634,065
Net Income before Non-Controlling Interests	...	...	...	7,182,000	7,668,365
Non-Controlling Interests	...	...	...	444,000	474,068
Net Income/(loss)	...	...	...	6,738,000	7,194,297

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

Best's National Scale Ratings, 06/15/2023

Best's Credit Rating Methodology, 01/18/2024

Catastrophe Analysis in AM Best Ratings, 02/08/2024

Available Capital & Insurance Holding Company Analysis, 01/18/2024

Scoring and Assessing Innovation, 02/27/2023

Understanding Global BCAR, 03/07/2024

Additional Rating Types

National Scale Rating for Allianz México SA Cia de Seg (AMB#086517) is aaa.MX

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for Allianz SE (AMB#085449)